

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own independent financial advice from your stockbroker, solicitor or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your ordinary shares in GoldStone Resources Ltd, you should forward this document, together with the accompanying form of proxy, immediately to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

GOLDSTONE RESOURCES LTD
(Incorporated in Jersey with company number 71490)

Directors:

Mr Neil Gardyne (Non-executive Chairman)
Ms Emma Priestley (Chief Executive Officer)
Mr Richard Lloyd (Non-executive Director)

Registered Office:

15 Esplanade
St. Helier
JE1 1RB
Jersey

17 May 2017

To the holders of Ordinary Shares

Dear Shareholder

Notice of Annual General Meeting
Approval of Conversion of Loan

1. Introduction

As announced on 3 April 2017, GoldStone Resources Ltd (“**GoldStone**” or the “**Company**”) entered into a loan agreement (the “**Loan Agreement**”) with Paracale Gold Limited (“**Paracale Gold**”) pursuant to which Paracale Gold has agreed to provide a loan of up to £400,000 (the “**Loan**”) to the Company, of which £200,000 has already been drawn down. Subject to shareholder approval to be sought at the Annual General Meeting of the Company to be held on Friday, 2 June 2017 (the “**AGM**”), the remaining £200,000 will be drawn down by no later than 7 June 2017 and the Loan plus accrued interest will convert into ordinary shares of 1 penny each in the capital of the Company (“**Ordinary Shares**”).

The Loan will be used for essential corporate purposes, including renewal of certain of the Company’s licences and a review of existing data for all the projects, with the initial focus being on the Company’s Homase-Akrokerri project.

The purpose of this letter is to provide you with background to the resolutions (“**Resolutions**”) set out in the Notice of Annual General Meeting attached to this document (“**Notice of AGM**”) and to request shareholder support for the Resolutions. Resolutions 6 and 7 will permit conversion of the Loan and accrued interest into Ordinary Shares and the issue of certain warrants to Paracale Gold, as more fully described in paragraph 2 below. If these Resolutions are not passed, the £200,000 already drawn down under the Loan will have to be repaid in full, together with accrued interest and a default fee, within six weeks of the AGM. In these circumstances, Paracale Gold will also be entitled to receive warrants over 20 million Ordinary Shares (the “**Repayment Warrants**”).

Shareholders should note that should they not approve Resolutions 6 and 7 to enable the conversion of the Loan, the Company would not have sufficient funds to be able to repay the amount then due pursuant to the Loan, including the default fee. In such circumstances, the Company would need to immediately consider alternative sources of financing to repay the Loan and to provide general working capital to the Company and there can be no certainty that such financing would be available or that the terms of such financing would be on terms as favourable to the Company and its shareholders.

Accordingly, if shareholders do not approve Resolutions 6 and 7 and the Company is unable to secure the necessary funding in the short term to repay the Loan, it is highly likely that the Company will not be able to meet its liabilities as they fall due and may therefore be forced into insolvency proceedings, be that administration or liquidation. In such a case, it is highly unlikely that there would be any value attributable to shareholders.

A copy of the Annual Report and Accounts is enclosed. This contains the Company's financial statements for the period ended 31 December 2016. A resolution relating to the financial statements is included in the ordinary business of the AGM.

2. Terms of the Loan

If Resolutions numbered 6 and 7 are passed at the AGM, the full amount of the Loan, together with accrued interest to the date of conversion, shall be converted into Ordinary Shares at a subscription price of 1 penny per share, immediately following receipt by the Company of the second tranche of the Loan of £200,000 referred to above. Within 5 business days of issue of these shares (the "**Conversion Shares**"), Paracale Gold shall also receive warrants to subscribe for such number of new Ordinary Shares as equals the number of Conversion Shares issued, exercisable at a price of 2 pence per share at any time during the 2-year period following the grant date (the "**Warrants**").

Assuming the AGM is duly held on 2 June 2017 and the Loan is drawn down in full on 7 June 2017, the number of Conversion Shares to be issued will be 40,352,337 Ordinary Shares and Warrants over up to 40,352,337 Ordinary Shares will be received by Paracale Gold.

If Resolutions 6 and 7 are not passed at the AGM, the Loan, accrued interest and a default fee of 50 per cent. of the amount of the Loan then outstanding (including accrued interest) will become payable in full to Paracale Gold within six weeks of the AGM. In addition, Paracale Gold shall receive the Repayment Warrants, to be issued within 5 business days of the AGM.

If the Company does not have sufficient authority to issue the Repayment Warrants on that date, GoldStone will be unable to issue any further Ordinary Shares (other than as a result of the exercise of any pre-existing subscription right) until such time as the Repayment Warrants have been issued to Paracale Gold.

The Loan attracts interest at a rate of 9.375 per cent. per annum, compounded daily until repayment or conversion.

The Company is not able to enter into any material agreement, settle any litigation or take on any additional debt without the prior consent of Paracale Gold until such time as the Conversion Shares are issued or the Loan is repaid.

The Loan is being used for essential corporate purposes, including renewal of certain of the Company's licences and a review of existing data for all the projects, with the initial focus on the Homase-Akrokerrri Project.

Following review, further funding will be required to advance the Company's projects.

Together with the Company's existing cash resources, the Loan, if drawn in full, is expected to provide funds through to early 2018, prior to taking into account the claim by a former director.

3. Relationship with Paracale Gold

Paracale Gold has the right to appoint a non-executive director to the Board. If the Loan is converted, and for so long as Paracale Gold controls the exercise of not less than 20% of the voting rights of the Company, it shall be entitled to remove and replace such director, subject to approval by the Company's nominated adviser.

Paracale Gold has entered into a relationship agreement with the Company and the Company's nominated adviser, which will come into effect following issue of the Conversion Shares and remain in effect for so long as Paracale Gold controls the exercise of not less than 20% of the voting rights of the Company. This agreement seeks to ensure that GoldStone is capable of carrying on its business independently of Paracale Gold as a substantial shareholder.

The exercise of conversion rights pursuant to the Loan Agreement may give rise to certain considerations under the City Code on Takeovers and Mergers (“**the Code**”). Brief details of the Panel on Takeovers and Mergers (“**the Panel**”), the Code and the protections they afford are described below.

The Code is issued and administered by the Panel. The Code applies to all takeover and merger transactions, however effected, where the offeree company has its registered office in the United Kingdom, the Channel Islands or the Isle of Man and, *inter alia*, whose securities are admitted to trading on a multilateral trading facility in the United Kingdom, such as AIM. The Company is therefore subject to the Code.

Rule 9 of the Code requires that any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Code) in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Code, will normally be required to make a general offer to all of the remaining shareholders to acquire their shares (a “**Mandatory Offer**”).

Similarly, when any person (together with any persons acting in concert with him), is interested in shares which, in aggregate, carry not less than 30 per cent. of the voting rights of such a company but not more than 50 per cent. of such voting rights, a Mandatory Offer will normally be required if any further interests in shares are acquired by any such person, or any person acting in concert with him. An offer under Rule 9 of the Code must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

Rule 9 of the Code further provides that, where any person who (together with persons acting in concert with him) holds over 50 per cent. of the voting rights of a company acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a Mandatory Offer to the other shareholders to acquire their shares. However, the Panel may deem an obligation to make an offer to have arisen on the acquisition by a single member of a concert party of an interest in shares sufficient to increase his individual interest to 30 per cent. or more of a company's voting rights, or, if he already holds more than 30 per cent. but less than 50 per cent., an acquisition which increases his interest in shares carrying voting rights in that company.

Under the Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of, or to frustrate the successful outcome of an offer for a company, subject to the Code. Control means an interest, or interests, in shares carrying, in aggregate, 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control.

In the event that Resolutions 6 and 7 are approved, Paracale Gold will have the potential to increase its interest in shares carrying voting rights in the Company up to a maximum of 80,704,674 Ordinary Shares (comprising 40,352,337 Conversion Shares and 40,352,337 new Ordinary Shares arising from the exercise of the Warrants), representing 44.10 per cent. of the voting rights in the Company which, without a waiver of the obligations under Rule 9, would oblige Paracale Gold to make a Mandatory Offer in certain circumstances.

In the event that Resolutions 6 and 7 are not passed, and Paracale Gold receives only the Repayment Warrants, it will have the potential to increase its interest in shares carrying voting rights in the Company up to a maximum of 20,000,000 Ordinary Shares representing approximately 16.36 per cent. of the voting rights in the Company, which would not oblige Paracale Gold to make a Mandatory Offer.

4. Issue of Fee Shares to certain Directors

As announced on 3 April 2017, the Directors continue to monitor and manage the Company's working capital very carefully. In order to preserve cash, and subject to Resolution 8 being passed at the AGM, the Company intends to convert a total of, in aggregate, £36,204 in accrued fees and salaries due to certain Directors, being Emma Priestley, Neil Gardyne and Richard Lloyd up to 30 March 2017 into Ordinary Shares ("**Fee Shares**"). The number of Fee Shares to be issued in respect of such fees and salaries shall be calculated by reference to the average closing daily volume weighted average price of Ordinary Shares for the period of 30 days prior to the AGM, provided that no Ordinary Share shall be issued at a price less than its nominal value of 1 penny.

In addition, subject to Resolution 8 being passed at the AGM, the Company has agreed to issue Ordinary Shares in lieu of fees and salaries due to Directors for each month through to the end of September 2017, with such number of shares to be issued each month to be determined based on the average closing daily volume weighted average price of Ordinary Shares for the period of 30 days prior to the monthly due date for payment of such salaries and fees, provided that no Ordinary Share shall be issued at a price less than its nominal value.

5. Annual General Meeting

You will find set out at the end of this document the Notice of AGM convening the 2017 AGM of the Company for 10:30 a.m. on Friday, 2 June 2017 at the offices of Faegre Baker Daniels LLP, 7 Pilgrim Street, London EC4V 6LB, for the purposes of considering and, if thought fit, approving the Resolutions.

Resolutions 1 to 5 deal with the business customarily addressed at annual general meetings of the Company, including receiving and adopting the accounts for the financial year ended December 2016, ratifying and approving the remuneration of directors, approving my reappointment as a director, following retirement by rotation in accordance with the Company's articles of association, and the appointment of Mr Richard Lloyd who joined the board after the 2016 AGM, and the appointment of PKF Littlejohn LLP as auditors of the Company. These Resolutions will be proposed as ordinary resolutions and, as such, will require to be passed by a majority of not less than half of the shareholders who (being entitled to do so) vote in person or by proxy at the AGM.

Resolution 6 to be proposed at the AGM provides for the increase of the authorised share capital of the Company, from £10,000,000 to £12,500,000 by the creation of an additional 250 million Ordinary Shares. This will ensure that the Company is not prevented from issuing shares (whether to Paracale Gold or otherwise) because it risks exceeding the cap on the number of shares it can issue.

Resolution 7 relates to the allotment of Ordinary Shares and Warrants to Paracale Gold upon conversion of the Loan and accrued interest. The authority granted by this Resolution would expire on 31 July 2017, by which time full conversion (or repayment) will have taken place.

The final Resolution to be proposed at the AGM, Resolution 8, would authorise the Board to issue further Ordinary Shares (or grant rights, such as options or warrants, which might convert into Ordinary Shares) up to an aggregate maximum of 446,182,072 Ordinary Shares, representing approximately 200 per cent. of the Company's ordinary share capital as enlarged by the conversion of the Loan, assuming all Ordinary Shares which are subject of existing options and warrants had been exercised. This authority, which is in addition to the authority granted pursuant to Resolution 7, would expire on the earlier of (i) the conclusion of the 2018 annual general meeting of the Company and (ii) 2 September 2018.

As noted above, in order to preserve cash, the Directors have agreed that accrued and future salaries and fees to 30 September 2017 for all directors (including any director appointed by Paracale Gold) will be satisfied by the issue of new Ordinary Shares. Resolution 8 will provide the Board with sufficient authority to, *inter alia*, allot these Ordinary Shares to Directors and to provide maximum flexibility to the Company going forward in respect of future funding options.

Each of the Resolutions numbered 6 to 8 will be proposed as a special resolution of the Company and, as such, will require to be passed by a majority of not less than two-thirds of the shareholders who (being entitled to do so) vote in person or by proxy at the AGM.

6. Action to be taken

A form of proxy is enclosed for use by shareholders at the AGM. Whether or not you intend to be present at the AGM, you are asked to complete and return the form of proxy in accordance with the instructions printed thereon so as to be received by the Company's registrars, **Computershare Investor Services (Jersey) Ltd, at c/o The Pavilions, Bridgewater Road, Bristol BS99 6ZY**, not later than 10:30 a.m. on Wednesday, 31 May 2017. Completion and return of the form of proxy will not preclude you from attending the AGM and voting in person, if you so wish.

7. Recommendation

Shareholders should note that if they do not approve the relevant Resolutions at the AGM to enable the Loan to be converted, the Company will not have sufficient funds to repay the amounts then due pursuant to the Loan Agreement, including the default fee of 50% of the amount of the Loan then outstanding (including accrued interest), which would need to be repaid in full no later than 14 July 2017. In such circumstances, the Company would need to immediately consider alternative sources of financing to repay the Loan and to provide general working capital to the Company and there can be no certainty that such financing will be available or that the terms of such financing would be on terms as favourable to the Company and its shareholders.

If shareholders do not approve Resolutions 6 and 7 and the Company is unable to secure the necessary funding to repay the Loan, it is highly likely that the Company will not be able to meet its liabilities as they fall due and may therefore be forced into insolvency proceedings, be that administration or liquidation. In such a case, it is highly unlikely that there would be any value attributable to shareholders.

Accordingly, the Directors believe that Resolutions 6, 7 and 8 are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of such Resolutions.

Yours sincerely

NEIL GARDYNE

Non-executive Chairman



GOLDSTONE RESOURCES LTD.

(incorporated in Jersey with company number 71490)

Notice of Annual General Meeting

Notice is hereby given that the 2017 Annual General Meeting of GoldStone Resources Ltd will be held at the offices of Faegre Baker Daniels LLP, 7 Pilgrim Street, London EC4V 6LB at 10:30 a.m. on Friday, 2 June 2017 for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolutions 6 to 8 will be proposed as Special Resolutions:

ORDINARY RESOLUTIONS

- Resolution 1** To receive and adopt the annual financial statements (“the accounts”) of the company for the year ended December 2016, together with the reports of the directors and the auditors.
- Resolution 2** To ratify and approve the remuneration of the directors as set out in the accounts.
- Resolution 3** To confirm the reappointment of Mr Neil Gardyne as a director of the company who submits himself for re-election in terms of the articles of association.
- Resolution 4** To confirm the appointment of Mr Richard Lloyd as a director of the company who submits himself for election in terms of the articles of association.
- Resolution 5** To appoint PKF Littlejohn LLP as auditors of the company until the conclusion of the annual general meeting of the company to be held in 2018, on terms and conditions (including remuneration) to be agreed by the directors.

SPECIAL RESOLUTIONS

- Resolution 6** THAT, pursuant to Article 38(1)(a) of the Companies (Jersey) Law 1991, as amended, the authorised share capital of the Company be increased to £12,500,000 by the creation of 250 million new ordinary shares of GBP 0.01 each (“Ordinary Shares”), thereby increasing the Company’s authorised share capital to 876,922,726 million Ordinary Shares and 414,530,304 existing deferred shares of £0.009 each.
- Resolution 7** THAT the directors be and are hereby authorised to allot shares, or grant rights to subscribe for or convert any security into shares, in the

Company as if Article 4(2)(a) of the Articles of Association did not apply to such allotment or grant, provided that this power:

- (a) shall only apply to (i) the allotment of ordinary shares of GBP 0.01 each in the capital of the Company (“Ordinary Shares”) upon conversion into Ordinary Shares of any loan (including interest due thereon) made to the Company by Paracale Gold Limited (“Paracale”) pursuant to the convertible loan agreement dated 2 April 2017 made between the Company and Paracale (“Paracale Agreement”) or (ii) the grant to Paracale of warrants to subscribe for Ordinary Shares at a price of GBP 0.02 per share (“Warrants”) in accordance with the terms of the Paracale Agreement; and
- (b) shall expire on 31 July 2017, save that the company may, before such expiry, make an offer or agreement which could or might require the allotment of Ordinary Shares or grant of Warrants after such expiry and the directors may allot Ordinary Shares or grant Warrants pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Resolution 8

THAT the directors be and are hereby authorised to allot Ordinary Shares, or grant rights to subscribe for or convert any security into Ordinary Shares, as if Article 4(2)(a) of the Articles of Association did not apply to such allotment or grant, provided that this power:

- (a) shall only apply to the allotment of up to an aggregate maximum of 446,182,074 Ordinary Shares, representing approximately 200 per cent. of the Company’s ordinary share capital as enlarged by the conversion of the Paracale loan, assuming all Ordinary Shares which are the subject of existing options and warrants had been exercised; and
- (b) shall expire on the earlier of the conclusion of the Annual General Meeting of the company to be held in 2018 and the date 15 months following the date this resolution was passed, save that the company may, before such expiry, make an offer or agreement which could or might require the allotment of Ordinary Shares or the grant of rights to subscribe for or convert any security into Ordinary Shares after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

Jacques Marcel Coetzer
Company Secretary

17 May 2017

NOTES:

1. A member of the company is entitled to appoint a proxy or proxies to attend, speak and vote at the meeting in his or her stead. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy does not need to be a member of the company.
2. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
3. The proxy must be completed and returned so as to reach the company's registrars, Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgewater Road, Bristol BS99 6ZY (together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power or written authority) not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
4. To be entitled to attend and vote at the meeting or any adjournment thereof (and for the purpose of the determination by the company of the number of votes they may cast) members must be entered in the Register of Members at 17.00 (close of business) (GMT) on the day which is two days before the date of the meeting.